

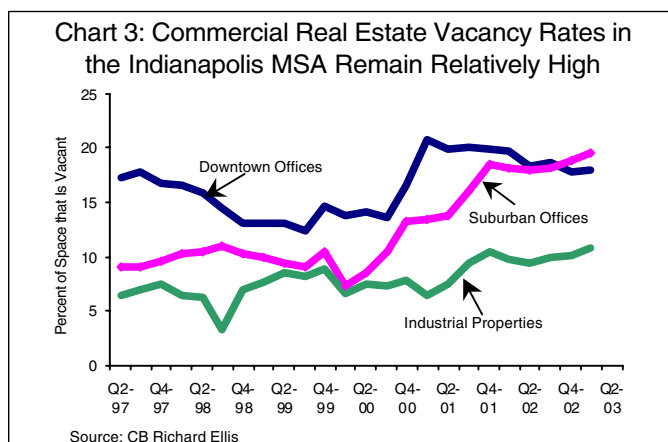
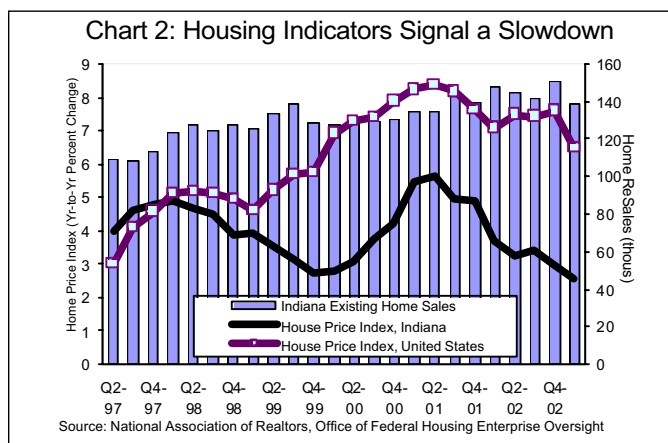
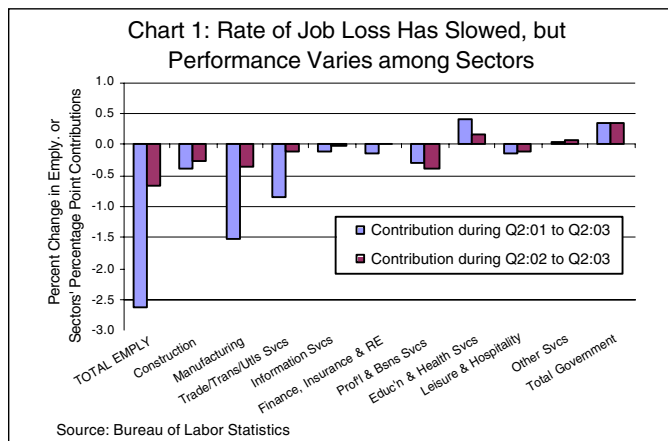
FDIC State Profile

FALL 2003

Indiana

Economic conditions in Indiana vary from regional trends.

- Indiana boasts the lowest unemployment rate in the Chicago Region.¹ In second quarter 2003, the unemployment rate declined 30 basis points from a year earlier to 4.9 percent, a rate that compares favorably with the current 6.1 percent rate for the Region.
- Job losses continue in Indiana, albeit at a slower rate. In the year ending first quarter 2003, employment fell by 0.7 percent (see Chart 1).
- Employment increased in the education, health, and government sectors, which together represent 27 percent of state payrolls. However, these gains were offset by losses elsewhere, notably in manufacturing and trade, transportation, and utilities sectors, which represent 40 percent of the state's employment.
- The Indiana housing market remains active, but some indicators are showing weakness. The rate of home price appreciation, 2.5 percent recently, ranks among the slowest in the nation. Home resale levels varied around 140,000 units in the past six quarters—a relatively high level but with minimal net growth (see Chart 2).
- The **Indianapolis** commercial real estate market remains weak. Suburban office vacancy rates have risen markedly and now exceed vacancy levels for all other property types (see Chart 3).
- The conventional mortgage foreclosure rate in Indiana in first quarter 2003 was 0.5 percent, well above the 0.3 percent average in the late 1990s and among the four highest rates in the nation.
- Personal bankruptcy growth tapered off in first quarter 2003 to 6.1 percent, compared with 9.5 percent nationally. However, the state's per capita bankruptcy filing rate remains the highest in the Chicago Region.



¹ Indiana, Illinois, Kentucky, Michigan, Ohio, and Wisconsin

State Profile

Margin declines and loan delinquencies continue.

- Indiana is headquarters to 210 insured financial institutions with assets totaling nearly \$130 billion. Community institutions² represent 86 percent of the state's institutions and 28 percent of its banking assets.
- Profitability of community institutions, as measured by the median return-on-assets ratio (ROA), held relatively steady, despite declines in the net interest margin (NIM). As of March 31, 2003, the median ROA for Indiana community banks was 0.98 percent, down one basis point from a year earlier (see Chart 4).
- The median NIM for Indiana community banks fell 16 basis points to 3.78 percent in the year ending March 31, 2003. This trend was slightly worse than the 8 basis point regional decline. Although low interest rates contributed to lower funding costs, asset yields declined more rapidly as low rates continued to spur refinancing.
- Community institutions based in Indiana offset margin declines with increased noninterest income and securities gains. First quarter noninterest income accounted for 1.11 percent of average assets, compared to 0.79 percent a year earlier.
- Lower interest rates helped many community institutions in the state realize securities gains, which increased 19 basis points to 0.21 percent of average assets in first quarter 2003. Falling interest rates have bolstered the value of securities portfolios in recent years (see Chart 5).
- Delinquencies reported by community institutions headquartered in Indiana increased slightly in early 2003 compared to other states in the Chicago Region. In first quarter 2003, the median share of past-due and nonaccrual (PDNA) loans increased 22 basis points to 2.46 percent from a year earlier.
- The allowance for loan and lease losses (ALLL) relative to total loans increased modestly in early 2003, but coverage of nonperforming loans has yet to improve as noncurrent loan rates have continued to rise (see Chart 6).

Chart 4: Despite Steady ROAs, Margins Fell Faster among Indiana's Community Banks than in the Region

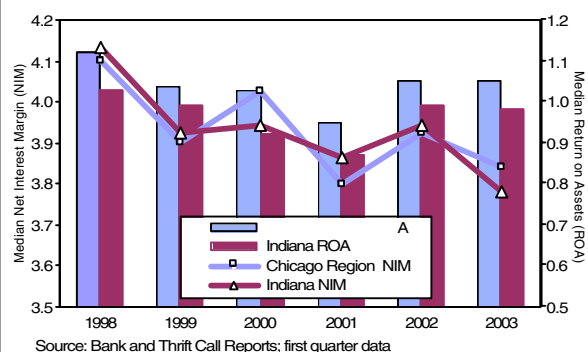


Chart 5: Securities Appreciation Rose in Recent Years

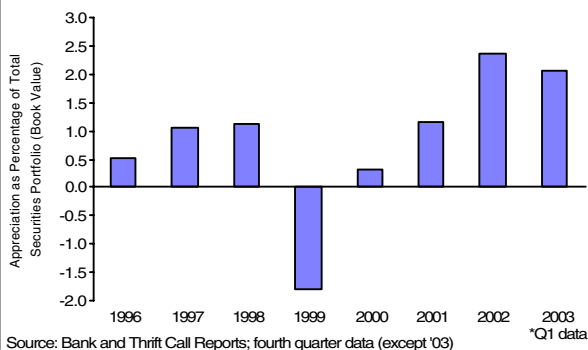
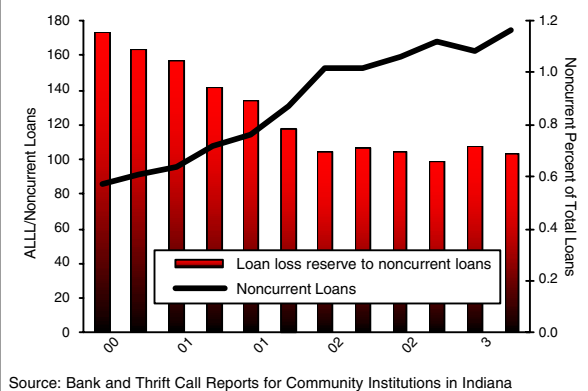


Chart 6: Noncurrent Loan Rates Have Yet to Improve



² Insured institutions with less than \$1 billion in assets, excluding new (< 3 years old) and specialty banks.

State Profile

Indiana at a Glance

General Information	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Institutions (#)	210	214	218	225	239
Total Assets (in thousands)	130,020,244	123,234,118	103,505,181	78,028,013	83,291,679
New Institutions (# < 3 years)	8	9	9	8	7
New Institutions (# < 9 years)	19	19	17	14	12
Capital	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Tier 1 Leverage (median)	9.49	9.29	9.39	9.41	9.37
Asset Quality	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Past-Due and Nonaccrual (median %)	2.46%	2.25%	2.02%	1.71%	1.76%
Past-Due and Nonaccrual >= 5%	23	22	16	12	16
ALLL/Total Loans (median %)	1.19%	1.14%	1.11%	1.11%	1.18%
ALLL/Noncurrent Loans (median multiple)	1.28	1.30	1.65	2.00	1.83
Net Loan Losses/Loans (aggregate)	0.35%	0.52%	0.33%	0.24%	0.35%
Earnings	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Unprofitable Institutions (#)	9	10	11	14	6
Percent Unprofitable	4.29%	4.67%	5.05%	6.22%	2.51%
Return on Assets (median %)	0.98	0.98	0.89	0.92	0.99
25th Percentile	0.63	0.64	0.59	0.63	0.71
Net Interest Margin (median %)	3.79%	3.93%	3.84%	3.95%	3.94%
Yield on Earning Assets (median)	6.07%	6.83%	8.03%	7.85%	7.59%
Cost of Funding Earning Assets (median)	2.25%	2.92%	4.31%	3.95%	3.68%
Provisions to Avg. Assets (median)	0.14%	0.12%	0.11%	0.10%	0.10%
Noninterest Income to Avg. Assets (median)	0.71%	0.64%	0.60%	0.54%	0.52%
Overhead to Avg. Assets (median)	2.72%	2.68%	2.67%	2.68%	2.59%
Liquidity/Sensitivity	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Loans to Deposits (median %)	84.32%	86.65%	89.21%	86.29%	83.10%
Loans to Assets (median %)	67.84%	68.46%	71.33%	69.16%	67.77%
Brokered Deposits (# of institutions)	47	40	35	30	36
Bro. Deps./Assets (median for above inst.)	2.78%	2.24%	2.96%	1.58%	1.18%
Noncore Funding to Assets (median)	21.53%	20.71%	21.23%	18.80%	15.63%
Core Funding to Assets (median)	66.99%	68.39%	67.03%	69.16%	71.96%
Bank Class	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
State Nonmember	93	94	97	99	107
National	28	32	31	33	38
State Member	29	28	25	25	25
S&L	15	15	16	16	17
Savings Bank	38	38	43	46	45
Mutually Insured	7	7	6	6	7
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	101	21,963,727	48.10%	16.89%	
Indianapolis IN	26	67,652,211	12.38%	52.03%	
Gary IN PMSA	16	7,592,156	7.62%	5.84%	
Ft Wayne IN	13	4,766,540	6.19%	3.67%	
Louisville KY-IN	12	2,420,656	5.71%	1.86%	
Evansville-Henderson IN-KY	10	13,161,700	4.76%	10.12%	
Terre Haute IN	7	1,846,760	3.33%	1.42%	
Cincinnati OH-KY-IN PMSA	5	653,148	2.38%	0.50%	
South Bend IN	4	4,033,661	1.90%	3.10%	
Lafayette IN	4	1,712,809	1.90%	1.32%	
Elkhart-Goshen IN	4	355,134	1.90%	0.27%	
Kokomo IN	3	1,498,633	1.43%	1.15%	
Bloomington IN	3	827,768	1.43%	0.64%	
Muncie IN	2	1,535,341	0.95%	1.18%	